

2 for 1 Index[®]

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September 16, 2022

Investors have been struggling for the last year (8/31/21 through 8/31/22), with the market, measured by the S&P 500 Total Return Index, off by -11.23%. The good news is the 2 for 1 Index, over the same period, is off by less than half that percentage, at -5.33%. This difference is well above the typical 2.5% average annual outperformance the 2 for 1 Index has provided over the market for the last 26 years. I won't speculate as to exactly why this is happening but I'm not complaining. For September, so far, the S&P 500TR and 2 for 1 indices are off 1.26% and 1.51% respectively, as of yesterday.

Just two splits to consider. Palo Alto Networks (PANW) is not profitable, is heavily indebted, and is selling at 86 times its book value. Forget it! Bio-Techne Corporation (TECH), on the other hand, deserves a look. The company's board of directors announced its intention to seek approval, during its upcoming 2022 annual meeting of shareholders, for an increase in the total number of authorized shares to allow a future 4 for 1 split to take place in 2023. This is not an actual split announcement but, for our purposes, it offers up the same signal that the board is quite optimistic about the company's future prospects.

It is said that the real success stories of the 1849 California gold rush primarily involved the merchants who sold the miners their tools, not the miners themselves. TECH is a "selling shovels to the gold miners" story. Bio-Techne makes and sells the tools used in the bio-science research business. There are lots of bio-science companies; a few very big ones and lots of very small ones. Some are, or will be, successful. Many will struggle and fail. But they all buy stuff from Bio-Techne. TECH is a well managed company with little debt, good profits, and solid growth. The valuation numbers are not to my liking but they are the only significant negatives in the picture. Analysts will say TECH's five-year 26% average annual earnings growth justifies its PE ratio of 52 and, in this case, I have to agree.

Middlefield Bank has reached the top of the 2 for 1 ladder and will be deleted from the Index on Monday. MBCN will leave the Index near its all-time high and with an overall return of around 29%, or 9.3% annualized over the last three years. This is close to market return but the stock would still be considered a minor loser for the Index.

In summary, **TECH will be added and MBCN will be deleted from the Index this month.** There will be a rebalance, maintaining the 2 for 1 Index at 30 equally balanced positions, as of the market close on Monday, 9/18/22.

Neil Macneale

MBCN	MIDDLEFIELD BANC CORP	OCT-19	HWKN	HAWKINS, INC.	APR-21	2 for 1 Index inception 7/31/1996
TKR	TIMKEN CO.	NOV-19	CP	CANADIAN PACIFIC	MAY-21	
TU	TELUS COMMUNICATIONS INC	MAR-20	CSX	CSX CORPORTION	JUN-21	Value at inception = 100
BEN	FRANKLIN RESOURCES	APR-20	SCVL	SHOE CARNIVAL, INC.	JUL-21	
AWR	AMERICAN STATES WATER	MAY-20	ISRG	INTUITIVE SURGICAL, INC.	AUG-21	Value as of 9/15/22 = 1816.36
EW	EDWARDS LIFESCIENCES	JUN-20	RJF	RAYMOND JAMES FINANCIAL	SEP-21	
MRTN	MARTEN TRANSPORT LTD	AUG-17	TM	TOYOTA MOTORS CORP	OCT-21	All time high - 1/4/22 = 2105.21
COST	COSTCO WHOLESALE CORP	JUL-20	MBIN	MERCHANTS BANCORP	DEC-21	
TREX	TREX COMPANY INC	AUG-20	NSSC	NAPCO SECURITY TECH.	DEC-21	52-week low - 6/16/22 = 1660.56
AAPL	APPLE INC.	SEP-20	GOOGL	ALPHABET, INC.	FEB-22	
NEE	NEXTERA ENERGY INC.	OCT-20	CM	CIBC	MAR-22	Overall annualized return = 11.74%
BEP	BROOKFIELD RENEWABLE	NOV-20	PTSI	P. A. M. TRANSPORTATION	APR-22	
WAFD	WASHINGTON FEDERAL, INC	DEC-20	CTO	CTO REALTY GROWTH, INC.	MAY-22	Comparable S&P total return = 9.18%
SHW	SHERWIN-WILLIAMS, INC.	FEB-21	AMRK	A-MARK PRECIOUS METALS	JUN-22	
LSI	LIFE STORAGE, INC.	MAR-21	REX	REX AMERICAN RESOURCES	JUL-22	